



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** October 26, 2010

**TO:** Finance Committee

**FROM:** Housing and Redevelopment Division, Community Development Department

**SUBJECT:** Grant To Housing Authority For Two New Units At 233 West Ortega Street

### RECOMMENDATION:

That the Finance Committee consider and recommend to the Redevelopment Agency Board approval of a grant of \$300,000 from Agency Housing Setaside funds to the Housing Authority of the City of Santa Barbara for the construction of two new units at its property at 233 West Ortega Street.

### DISCUSSION:

The City's Housing Authority owns the property at 233 West Ortega Street that is currently improved with four three-bedroom units. The 13,200 square foot site is located at the corner of Bath and Ortega. The site has a large open space that is minimally used by the residents, and the Housing Authority wishes to construct two new affordable one-bedroom units on the site in order to maximize the property's potential for affordable housing. The project has received all required development approvals from the City. The Housing Authority has requested a grant of \$300,000 (\$150,000 per unit) from the City's Redevelopment Agency to help finance the construction of these two units.

#### Tenancy and Affordability

The Housing Authority purchased the property in 1973 and developed the existing four units under the Conventional Public Housing Program of the U.S. Department of Housing and Urban Development (HUD). HUD requires that any additional units constructed on the property must also be affordable under HUD's Public Housing regulations. Thus, the existing units and new units must be rented to very-low income and low income households at rents that don't exceed 30% of their monthly income, including utilities. These income and rent limits are consistent with the City's affordable housing policies and state redevelopment law. Redevelopment law requires that the City record an affordability covenant, but in this case the covenant will simply reference the requirement to continue to rent the units under the HUD affordability regulations for at least sixty years. The property is in the Central City Redevelopment Project Area (CCRP), so there is no need for a City Council resolution finding that the project will be of benefit to the CCRP.

#### Agency Grant

Although the City and Agency generally provide affordable housing funds to developers in the form of a loan, there are some situations when a grant is more appropriate. In this case, since the site was purchased and developed under HUD's Conventional Public Housing Program, it is subject to HUD regulations that prohibit the Housing Authority from encumbering the property with any debt or affordability restrictions beyond those required under HUD's Public Housing Program. Thus, this City subsidy needs to be structured as a grant.

#### Project Costs and Budget

The construction cost of the two new units is expected to not exceed a total of \$620,000. HUD will fund \$320,000 of the cost with a grant, with the remaining \$300,000 to be funded through this Agency grant. This is an Agency subsidy of \$150,000 per unit. This is higher than some projects recently funded by the Agency, but the per unit subsidy amount has been going up with recent projects. The City loan amount for Casas las Grenadas was \$137,000 per unit for 12 units, and the latest Habitat for Humanity project at 618 San Pasqual was \$165,000 per unit for 4 units. In this case, the construction costs are higher because they have to raise the units above the flood plain, and there are only 2 units so the building cost per unit is higher than it would be for a larger project (\$310,000). The amount of subsidy from HUD is \$160,000 per unit, so the Agency's \$150,000 per unit is what is needed to fill the gap.

#### Sustainability Impact

The two new units will be built using energy efficient appliances, lighting and plumbing fixtures. The water heaters will be on-demand units and the forced-air heating system will be high-efficiency. Bio-swales will be used to recharge ground water with rain water.

#### **CONCLUSION:**

Staff asks that the Finance Committee recommend approval of the requested grant to the Agency Board. The proposed two new units would be an addition to the Housing Authority's stock of affordable housing, and will remain so for the long term. The subsidy from the Agency of \$300,000 (\$150,000 per unit) will enable the Housing Authority to leverage an additional \$320,000 in grant funds from HUD. The Agency and City have sufficient Housing Setaside funds to provide the requested financial assistance to the Housing Authority.

**ATTACHMENT:** Letter from the Housing Authority dated September 29, 2010

**PREPARED BY:** Brian Bosse, Housing and Redevelopment Manager / SBF

**SUBMITTED BY:** Paul Casey, Community Development Director / Assistant City Manager

**APPROVED BY:** City Administrator's Office



## HOUSING

AUTHORITY OF THE  
CITY OF SANTA BARBARA808 Laguna Street / Santa Barbara  
California / 93101Tel (805) 965-1071  
Fax (805) 564-7041

September 29, 2010

**HAND DELIVERED**

Mr. Steven Faulstich, Housing Programs Supervisor  
Housing & Redevelopment Division  
City of Santa Barbara  
630 Garden St.  
Santa Barbara, CA 93101

RE: REQUEST FOR GRANT OF CITY RDA FUNDS FOR CONSTRUCTION OF A  
DUPLEX ON HOUSING AUTHORITY OWNED EXCESS PUBLIC HOUSING  
LAND LOCATED AT 233 WEST ORTEGA STREET

Dear Steven:

As you know, the Housing Authority continues to look at various opportunities to add to the City's existing affordable housing portfolio either through acquisition of existing units or through new construction. Recently we have reviewed the Authority's underutilized open space at our various properties throughout the City and have determined that great benefit exists for the addition of new units on currently owned Housing Authority land.

One such location is 233 West Ortega/630 Bath Street. This property currently consists of 4 three-bedroom townhouses in 2 duplexes developed in 1973 under HUD's Conventional Public Housing program. The site has a minimally landscaped open space of approximately 5,000 square feet that has been underutilized by the residents. The Housing Authority recently obtained approval from the City of Santa Barbara to add a new duplex consisting of 2 one-bedroom, fully handicapped accessible units as an infill addition to this existing development on the aforementioned underutilized area.

The cost of the project, as bid, is \$620,000. This amount includes a premium of approximately \$50 per square foot to satisfy requirements to elevate the existing grade as the site is located within 100 year flood zone. The overall project costs are in alignment with current Santa Barbara construction costs for similar small projects. Because the Housing Authority already owns the land, we are able to realize a substantial savings in adding the new units to the existing development since land cost is not a factor. To assist the Housing Authority with the construction of the new units, we are requesting a grant of \$300,000 from the Redevelopment Agency of the City of Santa Barbara. The remainder of the cost will be funded through our HUD Public Housing Capital Fund program.

We are making the request for a grant rather than a loan as this site was purchased and developed under HUD's Conventional Public Housing program. As such, the property cannot be encumbered with additional debt or affordability requirements beyond those required by HUD's Public Housing program. Since this property is encumbered with a

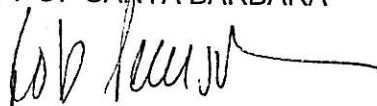
Mr. Steven Faulstich  
233 West Ortega Funding Request  
September 29, 2010  
Page 2

HUD Declaration of Trust (DOT), all of the units, including the proposed two new units, must be operated in accordance with the rules and requirements that govern the HUD Public Housing program. This means that all of the units must be rented to lower income households at no more than 30% of household income. Because of HUD's existing (and strict) affordability controls, we must ask that any City required affordability covenant simply reference the fact that the two new units, partially financed by the RDA, are to be operated by the Housing Authority's in accordance with HUD's Conventional Public Housing program.

If City/RDA staff deem this request to be reasonable and appropriate, we would ask that it be placed before the City Council/RDA for consideration in the next 30 days as we would like to begin construction of these units as soon as possible. Thank you.

Sincerely,

HOUSING AUTHORITY OF THE  
CITY OF SANTA BARBARA



ROBERT G. PEARSON  
Executive Director/CEO

Encls.

cc: Housing Authority Commission

